

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 23, 2009
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Degginger, Deputy Mayor Balducci, and Councilmembers Bonincontri, Chelminiak, Creighton, Davidson, and Lee

ABSENT: None.

1. Executive Session

Deputy Mayor Balducci called the meeting to order at 6:04 p.m., and announced recess to Executive Session for approximately 15 minutes to address one item of potential litigation.

Acknowledging that most of the audience is interested in the espresso stand issue, Ms. Balducci explained that staff will provide a report on the matter following the Executive Session. The public will be allowed to comment during Oral Communications. However, she reminded the audience that this is not a public hearing and therefore only three persons are allowed to speak on either side of a topic.

The meeting resumed at 6:34 p.m., with Mayor Degginger presiding.

2. Oral Communications

Mayor Degginger noted a deviation from the agenda to allow a staff report on the Crossroads espresso business.

City Manager Steve Sarkozy said the City is aware of issues that developed late last week with regard to the espresso stand. He introduced staff to provide an update.

Mike Brennan, Director of Development Services, explained that the espresso stand is located in a business zone and has been an existing use on the site since the early 1990s. A building permit for the new structure was issued with conditions, including a restriction for walk-up access only. The business was required to file for a sign permit within 48 hours of the close of business last Wednesday. The City is working to ensure that the business complies with both building and

land use codes. The coffee stand is considered a food service business and is therefore allowed by City Code.

Responding to Mayor Degginger, Mr. Brennan confirmed that both the zoning and permit do not allow a drive-through at that location.

Responding to Dr. Davidson, Deputy City Attorney Kate Berens said the use does not appear to fall within the adult entertainment ordinance. However, staff can bring back a more comprehensive analysis for Council if desired. Staff is also investigating how other jurisdictions have approached this type of use.

Councilmember Chelminiak observed that the conditions of the permit have been violated. Mr. Brennan said the inspector provided a written notice of correction to the business. In further response, Ms. Berens stated her understanding that the owners have applied for a business license. It should be received within a week or so, according to the State. Responding to Mr. Chelminiak, Ms. Berens said a business license is required to do business in Bellevue.

Continuing in response to Mr. Chelminiak, Mr. Brennan explained that the business can post signs regarding the prohibition of drive-through access. If performance criteria are not met, the City can impose requirements for physical barriers or other forms of enforcement. The espresso window faces the gas pumps, and the interior of the building is visible from the gas pumps.

Mayor Degginger summarized that the espresso stand currently has no business license but held its grand opening on Saturday. He observed that this is not starting out well.

Deputy Mayor Balducci agreed that the City needs to pursue the technical violations and make sure the business is in compliance with the permit conditions and business license requirements. However, beyond these conditions the problem is the underlying use. She noted that the community does not want this type of business, particularly in this location near a park, Youth Eastside Services, and a shopping center. Ms. Balducci encouraged the legal department to thoroughly examine the City's options. However, she acknowledged that the legal options will be limited. Ms. Balducci stated that the community can communicate its objection to the business by refusing to patronize the espresso stand and gas station. She urged City staff to be aggressive in its enforcement abilities.

Councilmember Lee said he is puzzled that the establishment has violated multiple requirements and conditions. He said the City must aggressively enforce code requirements, giving the strong message that the business is not welcome unless it achieves compliance.

Councilmember Creighton noted that he lives in the neighborhood and has spoken to the owner stating that the use is inappropriate, especially next to a park. The owner said he took that into consideration and chose to not put a window on the park side of the building. Mr. Creighton encouraged the City to do whatever it can to regulate the use. He concurred with the Deputy Mayor's comments on the matter.

Councilmember Davidson agreed with Mr. Creighton about the pros and cons of pedestrian vs. drive-through access, the issue being that the interior of the business is more visible during pedestrian access. He feels the business falls more toward an adult entertainment use than food service. Dr. Davidson questioned the ability to restrict service access to a smaller window, as a way of limiting visual access to the interior. Mr. Brennan said the City Code does not restrict the size of the opening of the building. Dr. Davidson observed that the business goes beyond the primary purpose of serving coffee.

Councilmember Bonincontri concurred with Ms. Balducci's comments about limits on the City's legal options. She encouraged residents to do what they can to send a strong message to the business owner.

Mayor Degginger summarized Council's direction to staff to enforce the codes and regulations, evaluate legal options, and report back to the Council next week.

- (a) Nick Bean, Co-Chair of Stop Knotty Bodies, noted that his business overlooks the park and the espresso stand, and his residence is three blocks from the location. He reviewed the characteristics of the Crossroads area and stated that the location is inappropriate for this type of business. He acknowledged that similarly clad women can be seen at a swimming pool, but he observed that such clothing in this context amounts to spectacle and can attract prurient interests. Mr. Bean summarized that the Stop Knotty Body group is opposed to this business.
- (b) Susie Goett stated her opposition to the Knotty Bodies espresso stand in the Crossroads area. She noted that Bellevue has created a positive community for families, and this type of use negatively impacts strong neighborhoods.
- (c) Mike Mueller, President of the Tam O'Shanter Homeowners Association, expressed the association's opposition to the espresso stand and noted concerns regarding the negative impact on residential property values. He opined that the use is essentially an adult theatre, and he encouraged the City to address the use from this perspective. He said the business should be shut down if it does not have required permits and licenses. Mr. Mueller questioned whether there are health and safety requirements governing the proper attire for food handling businesses. He asked the Council to amend the code to address adult espresso stands.
- (d) Steve Kasner, Chair of the East Bellevue Community Council, commended the level of citizen involvement in this and other community issues. He thanked the 2009 City Council for its cooperation with and support of residents and the East Bellevue Community Council. He thanked citizens for expressing their opposition on certain issues, and encouraged them to also communicate with the City Council and Community Council regarding things that they would like to see in the community and within their neighborhoods. Mr. Kasner commended City staff, including Carol Saari, for facilitating public involvement in a recent short plat matter. He urged residents to participate in

articulating their vision for the community. Mr. Kasner thanked the City Council for its good work on behalf of the community, especially during these difficult economic times.

- (e) Chad Harkness, representing Friends of Newport Hills Park, spoke about the proposed sports field improvements. He explained that he attended a meeting the previous Thursday which included a report on the SEPA review and permit. The Parks Department mentioned that the Bellevue School District was not interested in placing sports fields at middle schools. Mr. Harkness said he has had discussions with Bellevue School District representatives, and they have expressed an interest in sports field improvements at middle schools. He urged the City Council to postpone or delay this project to allow an opportunity for the City to discuss the matter with the Bellevue School District. Mr. Harkness said residents would like to locate the sports fields at a middle school instead of at the park, which is located adjacent to residences and provides other amenities that citizens want to preserve.
- (f) David Plummer spoke regarding staff's recommendation for increased water tax rates to provide revenue for fire protection capacity, and submitted his comments in writing. He encouraged the Council to consider the State Supreme Court decision related to fire protection, and the responsibility of government to provide fire hydrants but not fire protection as a general service. Mr. Plummer asserted that the City Utilities Department has had more than one year to deal with the issue and has produced no detailed cost estimates for installing and maintaining fire hydrants for fire protection services within Bellevue. If such information exists, Mr. Plummer said it should be made available for public review. He questioned how, without a detailed cost estimate for the Council and public to consider, the City and public can be assured that revenue collected by an increase in the water tax rate will result in too little or too much revenue for the General Fund. Mr. Plummer urged the Council to delay action on this issue until staff has clarified the specific legal interpretations of the State Supreme Court decision and provided a detailed cost estimate for the installation and maintenance of fire hydrants.

3. Study Session

- (a) Commendation of Service to the Community by Councilmembers Bonincontri and Creighton

Mayor Degginger expressed appreciation for the public service of Councilmembers Bonincontri and Creighton. He recalled that both were appointed to fill Council vacancies, and the new Councilmembers will be sworn in as soon as the election results are certified.

Mayor Degginger reviewed Ms. Bonincontri's years of service on the Planning Commission, which prepared her for her participation on the City Council addressing complex planning decisions. He noted her involvement in human services on behalf of the City as well.

Mayor Degginger recalled that Mr. Creighton returned to the Council following the untimely passing of Councilmember Phil Noble last summer. Mr. Degginger noted Mr. Creighton's

extensive public service including the Bellevue School Board, past City Councilmember and Mayor, and Co-Chair of the Bel-Red Steering Committee.

Councilmember Davidson commended Mr. Creighton's past leadership on the School Board and Council, and his willingness to serve more recently on the Bel-Red project and the City Council. Dr. Davidson praised Ms. Bonincontri for her thoughtful deliberation and consideration of issues.

Deputy Mayor Balducci added her appreciation for the contributions of both Councilmembers Bonincontri and Creighton. She noted the value of Ms. Bonincontri's land use expertise and perspective, and commended Ms. Bonincontri's calm, unflappable demeanor. Ms. Balducci noted Mr. Creighton's favorable reputation for community service and his statesmanlike manner. She is glad she was able to serve with him, and thanked him for his advocacy on behalf of the community.

Councilmember Lee said he has enjoyed serving on the Council currently and in the past with Mr. Creighton, who has had an important role in shaping and leading this community. He thanked Ms. Bonincontri for providing her expertise and thoughtfulness to the Council.

Councilmember Chelminiak recalled that he enjoyed serving on the Planning Commission with Ms. Bonincontri in the past, as well as during the past two years on the City Council. He echoed his colleague's comments that she brought a valuable perspective to the Council and raised questions that others did not. Mr. Chelminiak thanked Councilmember Creighton for stepping in when needed to fill the vacancy left by his fellow public servant and friend.

Mayor Degginger read the commendation of service for Councilmember Bonincontri, which reviewed her experience with the Sound Transit Citizen Oversight Panel and Bellevue Planning Commission, as well as her expertise in architecture, urban design, and public policy. Ms. Bonincontri served as Council liaison to the Arts Commission, Library Board, and Eastside Human Services Forum.

Councilmember Bonincontri noted that she has learned a great deal in serving on the Council. She thanked her fellow Councilmembers and residents for their dedication to the community, and expressed support for the incoming Councilmembers.

Mayor Degginger read the commendation of service for Councilmember Creighton, which recalled his previous service as Councilmember and Mayor and recognized his recent involvement with Bellevue's Human Services Commission and King County's Mental Illness and Drug Dependency Oversight Committee.

Councilmember Creighton thanked the Council for the opportunity to serve and to complete Mr. Noble's term. He thanked the community for its past support of his public service.

(b) Council Business and New Initiatives

Dr. Davidson mentioned that he was honored by his recent appointment as Vice Chair of the Puget Sound Salmon Recovery Council. This is in addition to his role as Chair of the WRIA 8 (Lake Washington/Lake Sammamish/Cedar River) forum.

(c) Arts Commission 2010 Funding Recommendations

City Manager Steve Sarkozy opened discussion regarding the Arts Commission 2010 funding recommendations.

Betina Finley, Chair of the Arts Commission, reviewed that arts funding is provided in both the General Fund and Capital Investment Program (CIP) Plan. Tonight's discussion focuses on funding recommendations for monies from the General Fund which covers 2010 Eastside Arts Partnerships and Special Projects allocations. Ms. Finley briefly reviewed the funding criteria for both programs as well as the allocation recommendations.

Councilmember Lee said he is pleased with the multiple language outreach in soliciting arts proposals. Responding to Mr. Lee, Arts Specialist Mary Pat Byrne said approximately \$250 was spent to provide the materials in five languages. Ms. Finley added that in the past, there have been groups reflecting the diversity of the community. However, they have traditionally been English-speaking applicants.

Deputy Mayor Balducci commented that the arts proposals are especially creative and interesting this year. She requested a video presentation of these projects in the future, perhaps for broadcast on B-TV as well.

- Deputy Mayor Balducci moved to approve the Arts Commission's 2010 funding recommendations for the Eastside Arts Partnership and Special Projects program. Councilmember Chelminiak seconded the motion.
- The motion to approve the 2010 Eastside Arts Partnership and Special Projects funding allocations carried by a vote of 7-0.

(d) Mid-Biennium Budget Update

(1) Responses to Council's Questions Raised During Mid-Biennium Update
Discussion of November 16, 2009

Finance Director Jan Hawn noted the meeting packet materials provided in response to questions raised by the Council during its November 16 budget discussion. She reviewed that the Supplemental Capital Investment Program (CIP) Plan originally anticipated a \$67.6 million package, with 11 percent of the monies going toward neighborhood investments, 36 percent for Downtown Implementation Plan (DIP) items, 22 percent for transportation capacity and congestion, 7 percent for public safety, and 23 percent unallocated. Based on the first two property tax increases of two percent, the City issued \$14 million in limited tax general obligation bonds in February 2008. Of that \$14 million, the Council earmarked 29 percent for

neighborhood investments and 71 percent for DIP projects. All of the neighborhood sidewalk projects have been completed, and \$7.4 million is remaining due to project savings and unanticipated grants. Staff recommends using this savings to help offset the funding gap in the general CIP.

Dr. Davidson expressed concern about issuing bonds to cover certain projects and then not completing all of the projects.

Responding to Mayor Degginger, Ms. Hawn said the bond funds must be spent by February 2011.

Responding to Councilmember Chelminiak, Transportation Director Goran Sparrman said construction of the four downtown mid-block crossings will begin during the first quarter of 2010. State grant money is augmenting the City's resources (\$800,000) to complete these projects. In further response, Mr. Sparrman said preliminary engineering has been completed for the NE 2nd Street road enhancements. Staff recommends proceeding with some right-of-way acquisition, in the amount of \$2 million, but deferring additional expenditures on that project.

Deputy Mayor Balducci thanked staff for the status update on the Supplemental CIP allocations and expenditures. She recalled the original process of prioritizing the funds into categories, and suggested allocating the remaining \$7.4 million in a manner consistent with those previously identified priorities.

Responding to Councilmember Lee, Mr. Sparrman provided additional comments on Supplemental CIP projects. Neighborhood sidewalk improvements have been completed, and reflect a cost savings of \$500,000. Staff proposes proceeding with the West Lake Sammamish Parkway project to complete final design. The General CIP Plan provides \$5 million, and the Supplemental CIP provides \$1 million, for this project. Separate funding in the later years of the general CIP Plan will cover construction of the first phase of the project.

Mr. Sparrman said the savings of \$300,000 for the downtown mid-block crossings is due to the receipt of grant funding. He noted staff's recommendation to defer the Great Streets project (\$2.8 million allocation) pending final design of the East Link light rail system. The Council originally allocated \$2.2 million toward DIP investments including primarily the Pedestrian Corridor. Staff recommends deferring Pedestrian Corridor enhancements because they involve significant right-of-way acquisitions, and reallocating \$2 million to the 108th Avenue project. The original allocation of \$4 million to the NE 2nd Street project is decreased to \$2.1 million in the revised Supplemental CIP proposal.

Responding to Mayor Degginger, Mr. Sparrman said early conversations with downtown property owners regarding property acquisitions along the Pedestrian Corridor resulted in little cooperation.

Responding to Councilmember Chelminiak, Mr. Sparrman said the NE 2nd Street project is one downtown project with limited impacts from the East Link project. Expenditures on this project

could proceed now to acquire ROW and to move into final design. Total estimated costs are roughly \$20 million.

Councilmember Chelminiak spoke in favor of reviewing DIP projects and focusing Supplemental CIP allocations toward high-priority DIP projects. He feels this is consistent with the original intent of the Supplemental CIP.

Councilmember Davidson expressed concern about using Supplemental CIP funds to replace revenue shortfalls in the General CIP Plan, and about waiting for Sound Transit to make decisions on light rail.

Responding to Dr. Davidson, Ms. Hawn said the three-year requirement for utilizing bond funds is imposed by the IRS. She observed that the requirement is most likely intended to prevent cities from borrowing money and then using it toward financial investments instead of for capital projects.

Responding to Dr. Davidson, Mr. Sarkozy acknowledged the opportunity for confusion between the General CIP Plan, Supplemental CIP Plan, and Mobility and Infrastructure Initiative financing plan. However, the City has wanted to maintain a consistent accounting of the three plans and their original allocations. Mr. Sarkozy concurred that it would be worthwhile to attempt to combine all of the elements into one capital package during budget discussions next year.

Mayor Degginger summarized comments from the Council in favor of using the \$7.4 million remaining in the Supplemental CIP toward consistent priorities in the General CIP Plan. He noted that some of the projects identified in the Supplemental CIP Plan are also part of the Mobility and Infrastructure Initiative.

Responding to Mayor Degginger, Mr. Sarkozy confirmed that specific project allocations can be decided later. Mr. Degginger suggested that, at this time, the Council articulate the principles which will establish the categories for funding.

Councilmember Chelminiak stated his perspective that the Council should proceed with the three percent property tax increase and maintain its commitment to DIP projects. He suggested the consideration of using the \$500,000 savings in sidewalk projects for a broader range of neighborhood priorities. Mr. Chelminiak said he would like to weigh the list of sidewalk projects against other neighborhood services, including the Neighborhood Enhancement Program (NEP) which he would like to retain.

Dr. Davidson wondered whether the \$500,000 could be allocated toward neighborhood projects such as parks.

Deputy Mayor Balducci concurred with Mr. Chelminiak's suggestion to consider a broader use of the neighborhood sidewalk funds, particularly if the monies can help save another

neighborhood program or service from being cut out of the budget next year. She further opined that the funds could be a good opportunity to support a non-transportation priority.

Mayor Degginger asked staff to provide a recommendation for Council consideration next week.

Responding to Ms. Balducci, Mr. Sarkozy said the Council may reallocate money from the Supplemental CIP to the General CIP, and thereby retire the Supplemental CIP. However, he said this should be done within a policy framework that prioritizes the CIP expenditures.

Planning and Community Development Director Matt Terry briefly reviewed the Mobility and Infrastructure Initiative finance plan, which was developed beginning with discussions during the Council retreat in early 2008. The initiative was established to address the top priorities related to concerns about traffic congestion and congestion management. In response to the Council's request, the Transportation Department identified the five most important transportation projects that would address congestion issues in Bellevue. All of the projects were new investments for the City and required new funding sources. The projects were targeted to address congestion relief; support planned land uses in the Downtown, Wilburton and Bel-Red areas; and to address other priorities such as neighborhood issues and public safety.

Mr. Terry explained that the funding strategy for the Mobility and Infrastructure Plan included both traditional and new funding sources. The Supplemental CIP was folded into the Plan, resulting in a broad financial strategy encompassing multiple projects and funding sources.

Transportation Director Goran Sparrman referred the Council to page 3-17 of the meeting packet for a list of Mobility and Infrastructure Initiative projects. He provided a brief status report on each project as well as their spending and modified spending plans.

Responding to Councilmember Chelminiak, Mr. Sparrman recalled that the estimated cost of the intersection at 120th Avenue and NE 8th is in the \$15 million range. It is a significant amount of money because the intersection will be realigned, affecting surrounding properties.

Responding to Deputy Mayor Balducci, Mr. Sparrman briefly reviewed the phases of the 120th Avenue NE widening project, which will extend north from the Wilburton area into the Bel-Red area. Along with the 124th Avenue project, this will bring significant congestion relief to the corridor.

Ms. Balducci stated that it is important for the public to understand this context. The 120th widening is a complete project that will greatly enhance access between Wilburton and SR 520.

Councilmember Creighton observed that if the NE 4th Street and NE 6th Street projects are completed before the intersection at NE 8th Street and 120th Avenue is modified, there will be traffic gridlock along 120th Avenue and the surrounding area.

Responding to Councilmember Lee, Mr. Sparrman explained that despite the economic slowdown, the need for moving forward with the transportation projects in the Mobility and

Infrastructure plan is critical. Most of the projects require a lengthy lead time, and they all have significant impacts around the downtown and hospital district. Mr. Sparrman noted that the slightly lower traffic volumes associated with the current economy would be helpful in terms of constructing the projects and rerouting traffic over the next one to two years.

Councilmember Lee stated his support for the planned Downtown Circulator project, which is proposed to be deferred. He believes some type of circulator system is necessary to ensure downtown mobility.

Councilmember Bonincontri expressed support for the Mobility and Infrastructure Initiative modified spending plan. She echoed Councilmember Creighton's concerns related to 120th Avenue being a critical north-south link that should be completed before extending NE 4th and NE 6th Streets east to 120th.

Ms. Bonincontri questioned the impacts of the Rapid Ride service between Redmond and Bellevue using the NE 8th Street corridor. Mr. Sparrman confirmed that staff is concerned about the impacts of this frequent bus service on some of the City's most congested intersections. The Rapid Ride service is to be implemented in 2011, and it will present a challenge for one to three years until the City is able to complete its transportation projects.

Mr. Terry commented on the two land acquisitions in the Mobility and Infrastructure Initiative. The City has been interested in acquiring the Metro site for many years, and the transaction is anticipated to close in 2010. The Bel-Red land acquisition has been completed.

Mr. Terry explained that due to cash flow constraints, there is a deliberate plan to complete project designs first, and then move to construction as money becomes available. The design plan can be accomplished using the property tax increase enacted in 2008 and the property tax increase proposed to take place this year. Subsequent funding decisions by the Council will be necessary to build the projects, however.

As an example, Mr. Terry explained that 60-percent design drawings for the NE 4th Street extension project will be completed to enable staff to work with property owners over the formation of the LID (Local Improvement District). It is anticipated that LID assessments will cover remaining construction costs. The LID hearing is scheduled for November 2010. If Council chooses to enact the LID, the fees will be directed toward those infrastructure projects.

Mr. Terry referred the Council to page 3-18 of the meeting packet for a response to questions about the implications of not approving the planned three percent property tax for ten consecutive years. He outlined three financing options available as alternates to the property tax increase: 1) The City Council could substitute alternate revenue from the General CIP Plan or Supplemental CIP Plan to replace the revenue that would otherwise be generated by the property tax, 2) The Council could delay projects to align expenditures with reduced funding, or 3) The City could eliminate one or more projects. The impact of the three percent property tax increase is \$17 per year, based on a median-priced home of \$630,000.

Dr. Davidson stated that there has been a property tax rate increase of four percent over two years, and a three percent increase is proposed for next year. He requested historical information on property tax rates and the City's banked capacity.

Councilmember Chelminiak summarized that approximately 46 percent of the Mobility and Infrastructure Initiative is funded by general tax revenue, and approximately 35 percent comes from developers. The \$56 million in LID funding comes from property owners. He stated that the Council worked hard to develop a balanced financing plan funded through a variety of revenue sources.

Mayor Degginger commented that the City's investments have attracted a fair amount of regional and federal monies, and additional grant funds are anticipated. He recalled that the impetus behind the Mobility and Infrastructure Plan is the need to address transportation demands and congestion relief. He cautioned that traffic conditions will worsen and project costs will increase if projects are delayed. Mr. Degginger recalled that the Council made thoughtful and deliberate decisions regarding these long-term investments.

Dr. Davidson cautioned that the Council has control over the property tax rate, but it cannot control development and when it will occur. Unfortunately when the City commits to building a road, it has to pay for the road. If development is not there, the only other revenue source is the property tax. Dr. Davidson wants to ensure that the City commits to investments in a timely manner, in order to be able to expect developers to pay their share. He is concerned that the City will commit to projects and risk paying all of the costs if development does not occur.

Deputy Mayor Balducci acknowledged that it is difficult to talk about a tax increase in the present economy, even with the minimal per household impact represented by the proposed three percent property tax rate increase. She is interested in seeing the time sensitivity of the investments that staff is proposing to move forward with the modified spending plan. She stated that the modified plan preserves funding for the NE 4th Street extension and 120th Avenue widening projects, both of which involve grant funding.

Ms. Balducci commented that the contingency list at the Puget Sound Regional Council (PSRC) was implemented in 2004, and the incentive to create the list was to identify priorities in advance should surplus funds be available for additional projects. Ms. Balducci said it is likely that the City will be in line for additional grant funding as many of the projects at PSRC are coming in below bid levels and estimated costs. She feels the City needs to advance certain projects to a level that is sufficient to qualify for federal grant dollars.

Ms. Balducci said it is important to be ready to purchase the Metro site if an agreement can be reached in 2010. She concurred with Mayor Degginger's comments that traffic conditions will worsen and projects will cost more as they are delayed. She feels that the majority of the projects on the list are time sensitive.

Noting that the Bellevue City Council has been conservative for many years with regard to its property tax, Councilmember Creighton opined that the Council did the right thing in increasing

the property tax last year. He said that the idea of spending during a down economy when the City can get more for its dollars, and can create jobs during high unemployment, is how government should work all the time. Mr. Creighton endorsed the concept of saving during good times, and spending during a slower economy when costs are lower. He noted he was not on the Council at the time that the property tax was increased.

Mayor Degginger reported that he was in Washington, D.C., last week, and there was considerable attention on the Bel-Red project as a model for the sustainable communities initiative. He observed that Bellevue will be in a better competitive position for grant funding if the City maintains its financial commitments to transportation projects in the Bel-Red corridor.

Councilmember Lee stated that he does not disagree with what has been said, and he concurred that long-term goals and commitments are important. He encouraged fiscal prudence, however, in funding projects and in considering a property tax increase. He requested information on the cumulative impact of property tax increases on homeowners and businesses over the 10-year Mobility and Infrastructure Plan.

At 9:04 p.m., Mayor Degginger declared a short break. The meeting resumed at 9:14 p.m.

(2) Staff Analysis and Draft Funding Agreement for Performing Arts Center Eastside (PACE)

Lori Riordan, City Attorney, noted that this is a continuation of discussion last week regarding the draft funding agreement for the Performing Arts Center Eastside (PACE). She confirmed that PACE has received payments and/or commitments for funding of approximately \$3 million from the State and \$1.2 million from King County through the 4Culture organization. The 4Culture agreement has a security interest in furniture, fixtures and equipment. The State has not required a security interest, and its monies help fund design and construction. The City's interest in furniture, fixtures and equipment would be junior to 4Culture's interest in the same assets. Therefore, the City's proposed draft funding agreement focuses its security interest primarily on other assets to avoid the overlap with 4Culture.

Deputy Mayor Balducci thanked staff for the additional information. She noted that one of the investment principles dictates that the receiving organization have a sustainable, long-term financial model. Ms. Balducci commented on how well the center fits into the City's vision for arts development within the community. She noted her previous concern that the agreement provide reasonable protection for the City and its taxpayers. Deputy Mayor Balducci is satisfied with the revised draft funding agreement.

Councilmember Lee said he is satisfied as well with the terms of the draft funding agreement, and he feels it is important for the Council to move forward at this time.

→ Councilmember Lee moved that the Council approve the Funding Agreement for the Performing Arts Center Eastside (PACE). Mayor Degginger seconded the motion.

Councilmember Creighton commented that it is appropriate for the Council to be prudent with City money and to be concerned about whether PACE is a viable entity. He believes that PACE is a viable organization, and he noted that having a performing arts center on the Eastside has been a goal of the Bellevue City Council for many years. He expressed support for the motion.

→ The motion to approve the Funding Agreement for the Performing Arts Center Eastside (PACE) carried by a vote of 7-0.

(3) Fire Protection Capacity Costs

Mayor Degginger noted that this agenda item has been deferred until next week.

4. Public Hearings

(a) Public Hearing on the 2009-2010 Budget and the 2009-2015 Capital Investment Program (CIP) Plan Mid-Biennium Update

Mr. Sarkozy recalled that there have been several budget discussions with the Council, including tonight's presentation.

→ Deputy Mayor Balducci moved to open the public hearing, and Councilmember Chelminiak seconded motion.

→ The motion to open the public hearing carried by a vote of 7-0.

(1) Betsy Blackstock stated that she is grateful for the Council's work. She submitted her request in writing, asking that the Council find the funds to extend Julie Ellenhorn's limited-term position on the community outreach team for at least one more year. She said that Julie has been the driver and workhorse for a tremendous amount of projects including the Neighbor Link program, Downtown Neighborhood Outreach, and the Community Workshop series. Ms. Blackstock noted that Julie spent only \$1,000 of the budgeted \$25,000 by supplementing the programs with funds through solicited sponsorships. Ms. Blackstock suggested that the Council use the \$24,000 savings toward maintaining Julie as a neighborhood outreach employee for at least another year.

(2) Leslie Lloyd, Bellevue Downtown Association, acknowledged that the declining economy has brought decreased revenues to City. However, the BDA encourages the City to maintain momentum on downtown projects. She reminded Council of the time spent by the BDA membership in vetting ideas and projects. Ms. Lloyd said while taxes and fees are never desirable, the BDA supports the Mobility and Infrastructure Initiative finance plan. The projects are critical for maintaining mobility, and delaying construction will result in higher project costs. Ms. Lloyd encouraged the Council to complete more projects in the Downtown Implementation Plan (DIP). She thanked Councilmembers Bonincontri and Creighton for their service, and congratulated Councilmembers Davidson and Lee on their reelection to the Council.

(3) Jessica Powers, representing Wright Runstad & Company, reiterated the company's commitment to a major investment in the Bel-Red corridor referred to as The Spring District. She noted that Wright Runstad's ability to fully realize The Spring District's potential is dependent on the continued health and prosperity of Bellevue, and that Bellevue's leadership is part of the reason that Wright Runstad is willing to continue to invest in the community. Ms. Powers urged the Council to maintain its commitment to fund the Mobility and Infrastructure Finance Plan. These projects are essential to keep pace with increasing traffic volumes, particularly in and out of the downtown. She urged the Council to maintain the 2010 property tax and storm water utility rate increases in the mid-biennium budget update. Ms. Powers submitted her comments in writing as well.

→ Deputy Mayor Balducci moved to close the public hearing, and Councilmember Lee seconded motion.

→ The motion to close the public hearing carried by a vote of 7-0.

Mayor Degginger thanked the community for its involvement in the budget process.

5. Executive Session

Mayor Degginger noted one item for Executive Session.

→ Deputy Mayor Balducci moved to extend the meeting until 11:00 p.m., and Mayor Degginger seconded motion.

→ The motion to extend the meeting carried by a vote of 7-0.

At 9:33 p.m., Mayor Degginger announced recess to Executive Session for approximately two hours to discuss one personnel matter.

The Executive Session concluded at 11:50 p.m., and Mayor Degginger declared the meeting adjourned.

Myrna L. Basich
City Clerk

kaw